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Helping Fintechs Soar

Driving Value Constellations in the Era of Partnerships

ISG | WNS

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Introduction

The financial services industry has seen drastic technology-led changes over the past few years. Fintech players have aggressively entered the space with modern technologies and innovative solutions aimed at improving fundamental financial service functions. Fintechs are propelling digital customer interactions by spearheading digital-only banks and AI-driven self-services that promote faster, more convenient and more cost-effective service. Globally, the number of fintech startups has been growing rapidly, with a CAGR of more than 31% between 2018 to 2020.[1]

This paper presents a view of the technological, commercial and competitive challenges fintech's face throughout different stages of their lifecycle. The paper also identifies areas where partnering with the right service provider can help fintech's overcome these challenges.

Recent research indicates that consumers felt more confident using digital banking tools, and 80% of respondents preferred to manage their money digitally.[3]

Amid soaring digital adoption, the need for hyper-personalization, on-demand services and always-on connectivity have been a collective booster shot for the overall fintech industry. This is evident from the 13% and 11% growth in the number and volume of fintech M&A transactions, respectively, in the first half of 2020.[2] Fintechs are now evolving into full-stack digital financial services providers while disrupting the entire value chain from digital lending, payments, insurance, wealth management, and capital markets to blockchain and cryptocurrencies. If the last few years were about survival, in 2021 and beyond, fintechs will primarily focus on convenience, collaboration, gaining a competitive edge and sustainability, further fueling the adoption of financial technologies.

While the pandemic was a litmus test for the financial services industry, the fintech sector has weathered the storm, with the number of VC-backed fintech startups increasing by 24% from 2020 to 2021. However, the industry has also been forced to adapt and innovate in response to a slew of changes owing to the pandemic — an evolving set of customer needs, remote working requirements, evolving cybersecurity threats and more. To effectively handle these changes, stay afloat and drive growth, it is imperative for fintechs to adopt a collaborative approach and forge trusted commercial relationships with the right partners. Partnerships can help fintechs create a massive opportunity for leveling the playing field, streamlining internal processes, adding technological capabilities and, most importantly, improving customer experience.

Unless fintechs look at collaborative partnership approaches, successfully innovating and sustaining businesses will be challenging. Fintechs and their partners can build on each other's strengths, develop roadmaps for future expansion, broaden the customer base and integrate offerings that will empower success in the long run.

> The global aggregate fintech industry grew in the number of transactions and volume by 13% and 11%, respectively, in 1H2020.[2]

ISG defines three lifecycle stages for fintechs to assess the current situation and reimagine their business models to keep pace in the tech race and strengthen resilience and scalability.

Fintechs Disrupting the Value Chain

Digital Lending
- Next-gen personal financial lending
- Peer-to-peer lending and investment
- New digital lending

Wealth Management
- Robo-advisory
- Social investing
- Crowd funding

Insurance
- Telematics
- Social integration
- IoT and connected devices

Capital Markets and Investment Banking
- Trade analytics
- Next-gen trade finance
- Next-gen collateral management

Small and Midsize Enterprises
- Digital cash management
- One-stop shop for businesses
- Peer-to-peer corporate lending and investment

Payments
- Mobile payments
- International remittances
- Mobile PoS

Figure 1: How Fintechs are disrupting the financial services value chain

The Three Fintech Lifecycle Stages

	1 Early Stage	2 Growth Stage	3 Mature Stage
Focus Areas	1. Accelerated Product Development 2. New Customer Acquisition 3. Risk Reduction	1. Accelerated Product Expansion 2. Enter New Markets 3. Enhance Customer Engagement and Retention	1. Hyper-scalability 2. M&As – Expand Capabilities and Cross-border Growth 3. Retain Enterprise Agility; Test New Ideas
Challenges	1. Slow Product and Feature Releases 2. Talent and Skill Gap 3. Governance, Risks and Compliance	1. Complex Back-office Functions 2. Local Language and Cultural Barriers 3. Increased Competition	1. Post-M&A Operational Integration Challenges 2. Grow Fat While Remaining Lean

1 Challenges that Throw a Monkey Wrench into an "Early-Stage" Fintech's Scale-up Journey

Early-stage startups are in the preliminary stages of product development and are seeking to gain market acceptance by building a customer base. To define a customer acquisition strategy and gain a foothold in a competitive marketplace these fintechs require a two-pronged approach:

- Test and validate their value proposition with potential industry players by developing capabilities to build and release the right product features rapidly.
- Gain insights into the financial services industry, including potential regulatory hurdles.

With one out of every two enterprises in the banking, financial services and insurance (BFSI) sector seeking to reducing its time-to-market,[4] ISG believes that early-stage startups that demonstrate the capability to adapt and learn quickly, along with timing the right product releases, will have the means for competitive differentiation. But with limited expertise and in-house talent to implement the right product roadmap and effective process flows, they start to witness slower product development cycles, thereby leading to inconsistent product deliveries and launches.

ISG Research indicates that as of 1H2021, one out of every two enterprises in the BFSI sector have their goals focused towards reducing the time to market their product.[4]

40% of consumers abandon a bank during the onboarding process.[5]

As early-stage startups launch their products with an aim to attract clients, it is critical to ensure a streamlined and easy onboarding process. One challenge that fintechs face is customers dropping out from their final steps of engagement due to friction points such as complicated and lengthy processes, including time-consuming authentication. A survey shows that 40% of consumers abandon a bank during the onboarding process.[5] According to another study, financial institutions in Europe lose more than €5 Billion annually due to poor customer onboarding.[6] Therefore, onboarding customers digitally, securely and seamlessly is vital to reducing the abandonment rate and overall customer acquisition costs.

Building the right product in today's volatile and stringent regulatory environment is crucial because the cost of noncompliance could cripple a business with enormous penalties. In 2020, global banks were slapped with a total of $14.2 Billion in regulatory fines.[7] Some of the most common risks identified by the World Bank include the lack of safety nets in the business models, misuse of personal data, difficulties in identifying customers and electronic fraud. These are among the main vulnerabilities of the new digital financial practices. Hence, fintechs will need to develop a regulatory strategy along with identifying such risk exposures early in their startup journey to build a proposition that is compliant, easy to articulate and backed with market research.

In 2020, global banks were slapped with a total of $14.2 Billion in regulatory fines.[7]

ISG believes that early-stage startups that are able to answer the questions (shown in Figure 2) will not only be able to build resilient businesses but also gives investors belief that there is a clear growth path, thereby encouraging a seamless transition to the next stage of their lifecycle.

Figure 2: Sustaining your early-stage Fintech business

2 Fast-Growing Fintechs are Rapidly Scaling-up, but Operational Headwinds Remain

The World Economic Forum defines rapid growth as the phase where companies grow at a CAGR of 20% to 40%, a rate at which firms would double their revenues every three to four years.[8] As fintechs demonstrate a track record of rapid growth and transition from a front-end banking app to a full-service national bank, they need to focus on three key imperatives.

- Accelerating product expansion
- Entering new markets
- Improving customer engagement and retention.

To broaden their suite of product offerings and to gain access to new customer segments and markets, growing fintechs partner with licensed depository institutions, also known as sponsor banks. These partnerships help mitigate the burden of complying with myriad state licensing regimes, costs and other risk factors. Furthermore, innovative and collaborative models such as banking as a service (BaaS) have emerged, enabling fintechs with faster and cheaper go-to-market options for embedding personalized banking experience across the customers' journeys. BBVA Open Platform, Goldman Sachs' Marcus, and Solarisbank, among others, are examples of BaaS platforms. These platforms are driven by open banking and APIs, and they offer a combination of a banking license and technology stack.

ISG observes that nearly 47% of BFSI enterprises look at improving customer engagement and retention.[9]

For example, digital bank Chime rapidly scaled up its business by using a BaaS platform powered by Galileo Financial Technologies, and its regulatory sponsoring banks include The Bancorp Bank and Stride Bank. However, such as-a-service finance offerings come with integration challenges and the need for security mechanisms that ensure compliance. These needs can be mitigated by partnering with a provider with domain expertise.

Amid rapid growth, fintechs also need to ensure customer retention through strategies tailored to the customer's journey, which opens up opportunities for personalized engagements. Fintechs that leverage data to be customer-centric and adopt a personalized customer engagement strategy often have a high Net Promoter Score (NPS), for example SoFi (90), Funding Circle (90) and Affirm (82).

Because customer acquisition is so costly, fintechs must look for alternative ways to grow and retain customers such as:

- Increased usage via upselling or cross-selling.
- Offering value-added services.
- Personalized rewards and loyalty programs.

In their quest to rapidly scale up and fuel growth, fintechs can face operational challenges. As fintech startups grow, the overwhelming complexity of back-office tasks, such as administrative and customer support functions, can be a roadblock to growth. Inefficiencies in the back office would impact customer satisfaction and the overall customer experience. For example, Robinhood, the online investing app known for offering commission-free trades and giving shares of stock to new users, added roughly 3 million new users in 2020. However, with more than 13 million users to date and the soaring popularity of the platform, the organization is wading through a flood of customer service requests and resolving an account-related problem can take weeks.[11]

> Retaining customers is less expensive than new customer acquisition. It can cost 5 to 25 times more to acquire a new customer than to retain and nurture an existing one.[10]

Expansion into new markets has its own set of challenges. Perceptions around banking and money can vary significantly across countries, so fintechs must focus on the local language and cultural barriers to succeed.

They must also pay heed to the competitive threat that emanates from BigTech companies, primarily in the lending and payments space (e.g., Amazon, Apple and Google); incumbent-owned digital banks (Hello Bank by BNP Paribas, Liv by Emirates NBD); telcos (O2 Banking, T-Mobile Money); and consumer brands and retailers (IKEA's purchase of a 49% stake in Ikano Bank and Walmart's creation of a new fintech startup).

With fintech-bank partnerships increasingly becoming the norm, integrating modernized applications (APIs with incumbents) with legacy technology architecture is a third major challenge. Fintechs cannot afford to risk any security issues or data breaches. As they look to expand their proposition to unreached markets and provide financial inclusion to the unbanked or under-banked population, they often look at leveraging agency banking services. However, agency banks have sometimes inhibited the ability of fintech business to grow, according to a recent report.[12] Issues include intervention from the regulator, delayed product launches, and unforeseen cost increases that caused a loss of revenue or caused a service to be unavailable. The report states, "Integrations are complicated due to a lack of APIs, or payments are processed in batches [rather] than in real time. This adds up to a poor user experience for the customers of fintechs that see fast, flexible and real-time interactions as table stakes."

By working with established service providers with domain expertise and resources, these nimble innovators can eliminate many of these barriers and scale across borders successfully.

3 Mature Stage Fintechs Struggle to Scale-Up without Losing Innovation and Agility

Fintechs that have already taken a strong foothold in the market with their innovative product or service offering then try to hyperscale their business through:

- Mergers and acquisitions (M&A)
- Horizontal expansion into new geographies and customer segments

With a focus on scaling their business across consumer segments, geographies and channels, fintechs have begun shifting their focus from offering frontline banking services such as payment applications, lending and money transfers towards a wide swath of services spanning several sectors such as retail, wealth management, small and midsize enterprises, investment banking and insurance. For example, since its launch in the 1990s as a payment solution for online purchases, PayPal has expanded its services to provide instant lines of credit and mobile applications that locate nearby stores and restaurants that accept payment via PayPal.

As fintechs mature, growing the business without losing on innovation, agility and responsiveness becomes a key challenge. Enterprise speed and agility are the main advantages fintechs have over traditional rivals, and retaining these are essential for their survival. As a result, mature fintechs often look at capability-driven M&As to rapidly expand into new markets and acquire new or complementary products and services while retaining enterprise agility. For example, in April 2020 consumer fintech SoFi acquired Galileo Financial Technologies, a payments and banking infrastructure provider, for $1.2 Billion. The deal will help SoFi diversify its consumer-led offerings with business-to-business (B2B) components from Galileo.

With mature fintechs acquiring emerging players to achieve scale, a great number of operational integration challenges are expected to arise post-merger. Integration of different software systems or core platforms is a time-consuming process, especially when the merged entities have different versions of software. Data standardization and integration would also involve issues with the merged entity's legacy systems, varying processes and culture. Fintechs lack the capability to efficiently manage large-scale integration and will need the expertise of a partner to create new value during the integration of multiple services, platforms and back-office processes.

A Collaboration Strategy to Drive Value

Lifecycle Stages	1 Early-Stage Fintech	2 Growth-Stage Fintech	3 Mature Stage Fintech
	Partnering to Enable Differentiated Propositions and Drive Operational Excellence	**Partnering to Innovate, Stay Cost-effective and Improve Customer Engagement**	**Partnering to Achieve Economies of Scale and Build New Capabilities**
Partnership Outcomes	• Enable Faster Time-to-Market • Access to a Larger and Expert Talent Pool • Reduce Technical Debt • Stay Compliant	• Co-innovation and Co-creation • Outsourcing Back-office Tasks for Optimal Efficiency • High Net Promoter Score and Retention Rate	• Achieve Synergy and Diversification Benefits of M&As • Leveraging Center of Excellence for New Capabilities and Sustainable Growth

1 Partnering to Enable Differentiated Propositions and Drive Operational Excellence

Startups will need to test market demands, delight early adopters, test business models and mitigate the risk of losing all (i.e., the effort, time and funding) if the product fails. To develop a robust value proposition, early-stage fintechs first must have a good product definition (the right attention, connection to the real-world problem, and an MVP or prototype addressing user needs and pain points). Equally important is good product execution (agile engineering, identifying priorities, quality and user experiences). In a time-sensitive market, bringing in the right partner early will help in:

- Streamlining development processes such as creating a product vision.
- Translating this vision into technical specifications.
- Creating wireframes and roadmaps.
- Improving project flow efficiencies along with forecasting time-to-market.

> ISG found more than 45% of BSFI enterprises focus on improving operational efficiencies to deliver consistent quality outcomes for their end users.[13]

Once the proposition for the fintech product is identified, looking at the current business environment with mounting investor and budget pressures, businesses cannot afford to wait for several months to release their new features into the hands of ever-demanding customers.

Early-stage fintechs will need to deliver frequent releases along with several rounds of testing for non-functional requirements such as stability and performance. ISG found that more than 45% of BFSI enterprises focus on improving operational efficiencies to deliver consistent quality outcomes for their end users.[13]

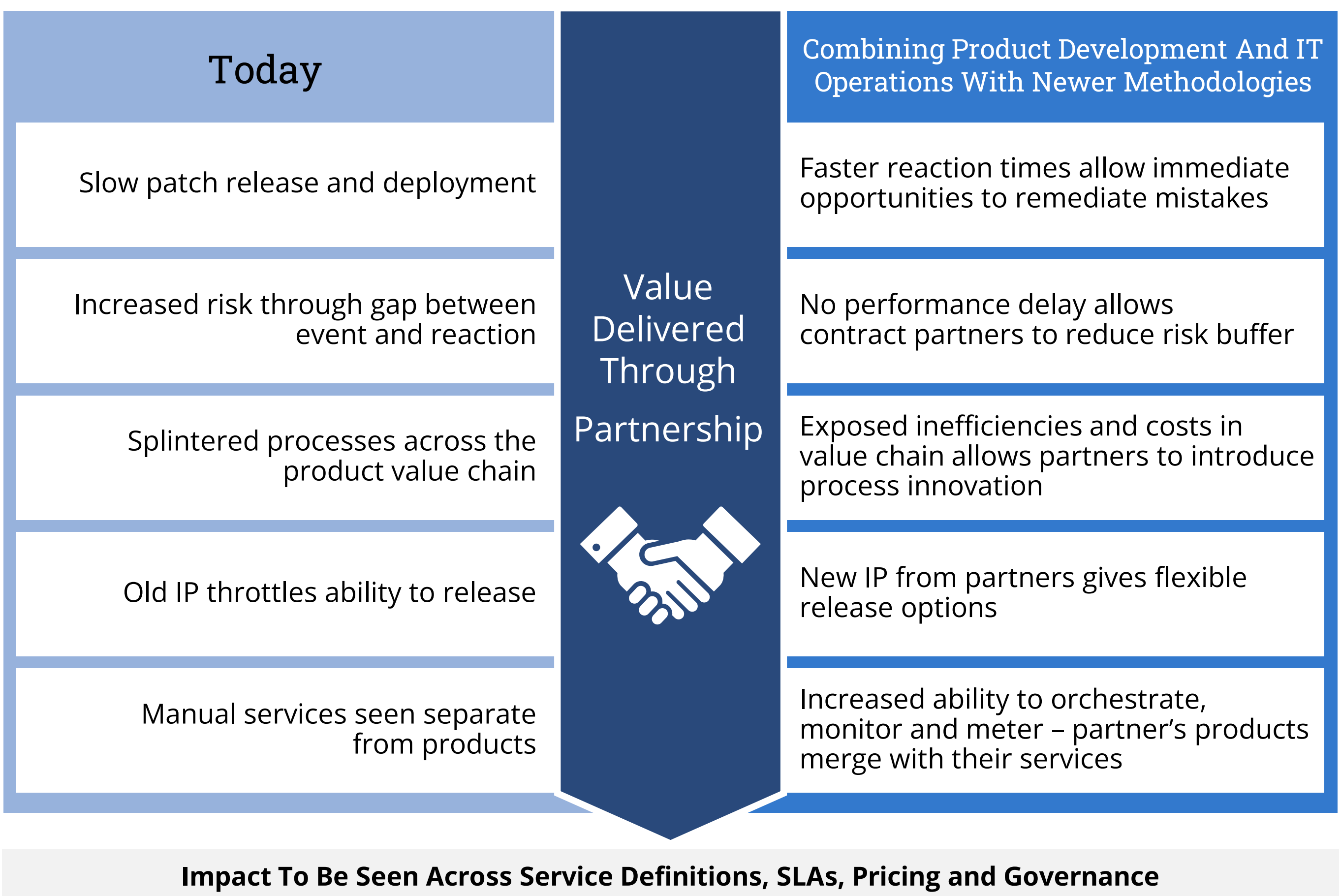
To bring continuous releases to production reality, fintechs must leverage a blend of various delivery approaches that combine different layers of technology. Collaborating with a mature service provider can bring in the right set of capabilities with agile development practices and a tech stack that improves overall efficiencies.

ISG believes that incorporating the right practices into the organization's culture through a partnership approach early in the startup journey will bring value during the product development cycle (as shown in Figure 3).

A robust fintech product should be stable, secure and constructed on optimized algorithms. It should also deliver superior performance. Obtaining knowledge of the development processes requires teams with years of fintech product management experience and a consulting pool that will help prepare the company for the road and challenges ahead.

An ISG survey indicates that the lack of skilled employees is one of the top three reasons that hamper a company's growth.[14]

Aligning with a mature fintech development partner brings in experienced engineers and consultants with niche skills that can build systems that are optimized for performance and stability. An ISG survey indicates that the lack of skilled employees is one of the top three reasons that hamper a company's growth.[14]

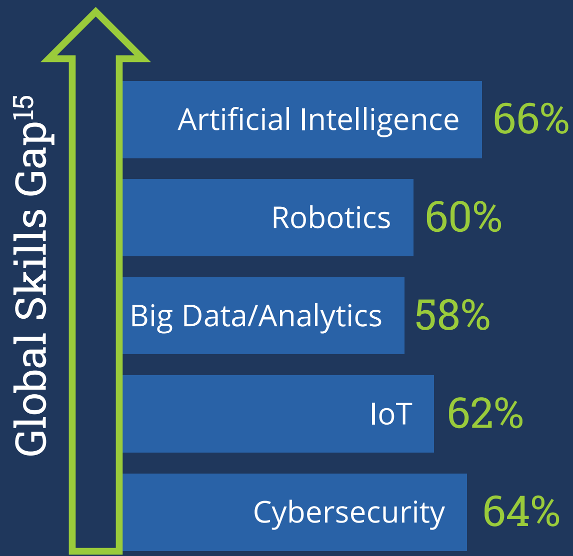


Source: ISG Research

Figure 3: Deriving operational excellence through partnerships

Partner Early in Your Fintech Journey

To Bridge the Talent Gap



ISG Believes that

No company has all the knowledge it needs internally to be successful. Sometimes, you need a specialized set of skills. A managed-services expert can bring in the right consultants to deliver – or teach employees how to deliver – a new training course, when niche experience is required.

For Value Driven Product Development

- Identifying the Product Market Fit and Faster MVP
- Complete Product Engineering
- Product Advisory for Value-added Technology and Business Consultation
- Reduce Customer Acquisition Costs

For Remote Onboarding

COVID-19 has disrupted face-to-face interactions paving way for increased adoption in remote onboarding processes.

Onboarding

Value Driven Through Partnership

- Minimize The Risk of Losing A Valuable Prospect
- Improve ROI
- Reduce Customer Acquisition Costs
- Enhance Technology Adoption

Cognitive Automation for Document Processing

Blockchain to Transform KYC

Contactless Form Filling Using OCR (Optical Character Recognition)

Biometrics For Secure Identification

Getting a high-quality product is just the beginning. What follows is a set of regulatory and compliance challenges that emerge once the product is out in the marketplace. With the frequency of regulatory changes, averaging 220 alerts per day,[16] mainstreaming these regulations and compliance becomes critical. Early-stage fintechs will need experts who can interpret those principles, design business frameworks and reporting systems. They will also need the ability to deploy out-of-the-box yet low-risk solutions around them to be able to ensure compliance and drive long-term profitability.

Collaborating with the right provider can help fintechs develop a framework that puts governance, risk and compliance (GRC) first. Having a GRC practice can do more than help in attaining clarity about an organization's existing risk and compliance. It can also provide streamlined processes and technology support that enables clients to manage diverse risks by adopting proactive measures for risk detection and mitigation. GRC should not be an afterthought. It has to be seared into the product or service offering at an early stage of the fintech journey. Getting this approach right will not only aid fintechs with regulatory compliance but also serve as a business differentiator for consistency and speed of launching products.

Client: A Leading Asset Management Firm Strengthens Investment Strategy with Risk Analytics

Business Challenge

An investment management firm had a portfolio of thousands of securities, spread across multiple countries, making it challenging to spot frauds and manipulations.

Solution Highlights

WNS conducted investigative research and due diligence on over 10,000 investee entities and designed a comprehensive risk-grading model that factored in more than 50 parameters.

Results Realized

The solution gave the client deeper insights into its diverse set of investee entities and strengthened its investment strategy.

2 Partnering to Co-innovate, Stay Cost-effective and Improve Customer Engagement

In today's hyper-competitive environment, fintechs must explore new business models and embrace a broader ecosystem partnership model to co-innovate for rapid growth and better outcomes. It is important for growth-stage fintechs to have an appetite for co-innovation through a symbiotic partnership between an ecosystem of service providers and financial institutions. This ecosystem approach serves as a platform to co-create through provider-led incubators, accelerators or innovation hubs that allow innovative fintechs to pivot quickly from startups to scale-ups.

Service providers help in bridging the gap and instigating a sense of partnership between fintechs, which are looking to scale, and financial institutions, looking for innovative and breakthrough technologies. Provider-led accelerators play a central role in bringing together stakeholders, including fintechs, investors, domain experts, financial institutions, academic institutions and government agencies, and maximizing value creation for all. These accelerators, or innovation labs, play a critical role in ensuring that fintechs, which are vying for the mind share and wallet share of consumers, are provided with the necessary resources and support systems to unlock value such as:

- Rapid co-innovation with ecosystem partners to share best practices, push their solutions to market, and scale distribution cheaper and faster than they could on their own.
- Access to internal R&D facilities, industry mentors, cross-sector expertise, shared IT infrastructure and scalable resources with advanced technical skills such as AI, machine learning, the Internet of Things and core banking that can help in responding to changing market dynamics.
- Access to office space facilities; additional funding sources; networks, good governance and management systems; geographical proximity; and expertise in regulatory and compliance reporting.
- Access to prospective customers, events and workshops where financial institutions engage with pre-vetted, market-validated startups, thereby expanding fintechs' user bases to new segments.
- The opportunity to co-create business models or establish co-branded partnerships to deliver white-labeled solutions under bank-branded services and benefit from new revenue streams.

Fintechs and other organizations have been forced to adapt to remote working models, leading to a shift in operating models. The contact center space, in particular, experienced a significant increase in call volumes, wait times and call abandonment rates. "Many consumers have been asked to call after 48 hours." According to an ISG Provider Lens™ report.[17] Fintechs are challenged to deliver the best customer experience with more personalization to ensure that brand loyalty does not shift and customer retention remains high.

> ISG observes, "With back-office functions often driving 30% to 50% of the total operational costs, forging strategic partnerships with a trusted partner enable fintechs to benefit from cost-efficiency, process optimization, and on-demand access to skilled resources and support systems".[17]

ISG observes that "outsourcing back-office operations helps in saving 30% to 50% of the overhead costs, enabling fintechs to focus on innovation and core business activities".[18] Fintechs that leverage a provider's managed back-office services can improve profitability and ROI, while scaling operations with measurable business outcomes. With a consultative-partner approach, fintechs can stabilize the bottom line by allowing an established provider to take care of the operational, technological or business challenges.

To achieve profitable growth, fintechs must seek partnerships with outsourcing partners that provide differentiated offerings and value creation beyond the benefits of cost savings.

How Service Providers Can Help Growth-Stage Fintechs Tackle Key Challenges

Operational Challenges	End-to-end or selective back-office tasks that are time-consuming and costly. These range from human resource, client onboarding and finance and accounting, to procurement, legal and customer experience services. Resolve queries across customer touchpoints by using advanced analytics, AI and intelligent automation, supported by a 360-degree view of customers to help drive customer experience. An integrated CX model, with an agile workforce, enables contextual and intelligent conversations that help resolve customer queries with empathy and significantly reduce cost-to-serve for fintechs. For example, established CX providers such as WNS leverages its proprietary EXPiRiUS solution, a digitally integrated customer experience service model that focuses on co-creating winning outcomes through human-assisted integrated digital CX. WNS's value proposition aims to drive measurable business outcomes that include 30 to 50% reduced cost of ownership and 10 to15% improvement in customer advocacy.[19]
Technological Challenges	Mitigate technology integration issues with sponsor banks by providing access to frameworks and applications that aggregate data from silos and deliver fintech functionality to relevant processes and channels.
Business Challenges	Address customer engagement and retention challenges with data-driven, analytics-led marketing and customer lifecycle management programs for targeted customers. As personalization becomes more pervasive, fintechs can reduce customer acquisition costs by up to 50%, increase revenues by 5% to 15% and improve the efficiency of marketing spend by 10% to 30%, according to Harvard Business Review.[20] AI-driven contextualized engagements and intelligent lifecycle campaigns help improve rates of converting customers to loyalists as well as optimize customer lifetime value. After all, brands with hyper-personalized customer engagement are usually companies with high Net Promoter Scores and retention rates.

3 Partnering to Achieve Economies of Scale and Build New Capabilities

As fintechs become more mature and scale up into well-funded and financially stable firms with established customer bases and strong balance sheets, they face challenges in terms of slow or no growth and revenue stagnation. Late-stage fintechs must aim to create new value or evolve the existing business model to a marketplace model. In practice, while there are alternative pathways for sustainable growth, some fintechs adopt an inorganic approach to diversify into other verticals and a few others choose to build future-ready technology capabilities. It is important for mature fintechs to partner with an established service provider to remain competitive while achieving economies of scale and cost or performance synergies.

For example, a string of mega-deals in the payments sector (e.g., Fiserv's acquisition of First Data, FIS's takeover of WorldPay, and Global Payments' acquisition of TSYS) is evidence of companies trying to achieve synergies and economies of scale via M&A. Likewise, Australia-based neobank Volt partnered with a leading service provider for core banking and payments solutions, thus expanding Volt's offerings to include real-time payments (NPP), BPAY and direct entry. This strategy also enabled full-service banking capabilities for its customers.

However, restructuring operations mandates an efficient integration of multiple back-office functions after M&A transactions. Using an outsourcing partner to create new value during the integration of multiple services, platforms and back-office processes will be key for successful mergers. Benefits include rapid integration of the acquired entity by a provider that can swiftly update or re-platform different applications and processes into a common set. This reduces IT infrastructure and maintenance costs, speeds up application development and maintenance by training an integrated talent pool, and helps fintechs achieve the synergy benefits of the combined capabilities early on.

Fintechs will gain significant benefits from the co-development and ecosystem play in several ways: leveraging the capabilities of a provider-led center of excellence (CoE) when evaluating new technologies, co-creating proofs of concept, piloting new use cases or modernizing existing technologies that can be scalable. By pooling costs and sharing resources, the CoE approach opens opportunities for fintechs to create new propositions and drive sustainable growth and business transformation. Traditional process inefficiencies can also be addressed because provider-led CoEs can rapidly automate systems to drive operational excellence around lean processes, creating potential cost savings. However, automation does not serve as a substitute for outsourcing. Instead, those fintechs that use a combination of automation and outsourcing may often yield the most profitable results.

Four Tips and Tricks for Choosing the Right Partner for your Fintech Strategy – Key Imperatives

As banks embrace digital transformation, they are being forced to wholly reconstruct their products and services. As a point in fact, recent research reports 75% of financial industry executives would partner with other sectors to offer non-financial products and services to their customers.[21] Pushed by fintechs, the proliferation of alternative financial services models is disrupting the way the financial services industry has traditionally done business. Fintechs must continue to think like technology companies and constantly keep pace with technological advancements with an eye always on improving ease of use for the customer. To achieve sustainable long-term growth by creating new revenue channels, they have to collaborate with a trusted strategic and operational partner, one with the right skill sets, knowledge and consulting expertise.

ISG presents a checklist that will help fintechs aid their provider selection process in the graphic below.

Four tips and tricks on choosing the right partner for your Fintech strategy

A partner who can clearly define your requirements

- A strong partner can work or co-create solutions such as core product engineering in parallel to the development process rather than merely execute functions that have already been designed.
- An early startup or growth-stage fintech with limited budgets and trying a first-time channel needs a partner who can define what you will pay for each result, have metrics define for each outcome and is flexible to meet unpredictable or evolving business requirements.

Process maturity drives significant time and cost reductions

- Global and local norms, working on confidential data, critical vulnerabilities/risks, and other nuances require industry-specific knowledge and confidence.
- Understand the provider's expertise in delivering process excellence, established work methodologies, and risk management practices.
- The provider should be able to share relevant references and use cases during contract negotiations.

Developing trust for a resulted long-term business relationship

- You will want to be assured that your prospective service provider has the right communication channels and is always available for both problem-solving and queries.
- While partnering on future developments or sensitive digital transitions, the service provider should be able to set clear and measurable guidelines such as transparent SLAs and project budgets as well as welcome your feedback.

Knowledge and proficiency to compete in a fast-paced digital world

- Understand the partners' skills concerning those frameworks and tools that will bring a competitive edge.
- Identify a partner with the knowledge of technologies like AI and analytics, blockchai4n, or other digital transformation solutions and their application in sub-industry-specific challenges.
- The provider should be able to demonstrate capabilities to not only build but also introduce your solution to the marketplace and provide post-release support.

WNS Perspective

Helping Clients Move Through the Stages

As fintechs continue to evolve, partnering becomes the key to unlocking newer capabilities. WNS has proven expertise in partnering with fintechs to weave its operational and transformational experience into the fintechs' go-to-market service model to deliver integrated solutions. Today, as fintechs transform into large-scale enterprises, they are faced with new challenges, including scaling back-end operations, meeting stricter regulations and overseeing governance. By partnering with disruptors through their transformative journey, WNS has assisted these disruptors in laying the groundwork for fintech success by offering innovative and cost-efficient solutions.

WNS offers a range of business process management (BPM) services and solutions across the whole continuum of banking and financial services with fintech domain proficiency. It leverages digitally enabled solutions to cater to persona-targeted client preferences and drive productivity gains in transactions using machine learning algorithms to execute or inform service delivery. Its demonstrated capabilities have aided fintechs to make headway through each stage of the company development lifecycle.

With fintechs covering such a broad spectrum of business models across digital lending, payments, trading, insurance and cryptocurrencies, there is no one-size-fits-all model that service partners can provide. There are, however, three foundational keys to an effective partnership that support growth.

First

It is vital to understand the evolution that the fintech will go through across the three lifecycle stages and to leverage that experience with comprehensive banking knowledge to provide a perspective on how to build a strong foundational service model. Essential to the stability and growth of each of these businesses is ensuring that a rock-solid regulatory framework and stringent information security protocols are put in place. To that end, a risk management operations framework that establishes comprehensive operational controls, policies and documentation must be one of the first foundational bricks.

Comprehensive procedure manuals and clear standardized documentation need to be developed to ensure the control framework is watertight. This also helps in ensuring that, as the business rapidly scales through customer adoption, the partner can quickly and confidently deliver to the quality of service that customers have come to expect from the fintech.

Complementing the comprehensive content development is the establishment of a structured quality assurance model that employs multiple lines of defense to quickly identify and address transactions that fall outside the realm of the defined service levels.

Second

The partner must be able to deliver across multiple areas of service — for example, risk management, banking operations, customer service and customer analytics — and be committed to investing in developing a bespoke service model that aligns with the fintech's service proposition. WNS recognizes that the value proposition of each partner is unique, and WNS's charter is to co-create service models that acknowledge and address those aspects. For example, from an omnichannel servicing perspective, discussions with our partners, and early customer analytics, may forecast that a significant majority of customers will interact via chat and email. However, unexpected product adoption from a persona base more inclined to interact via voice has changed the demands of the service model. The partner must be ready to pivot to the new demand model while also working in partnership to analyze the change, employing customer service demand analytics to assess whether to expect this to be a long-term systemic change or short-term anomaly.

Lastly

And closely aligned with the first and second elements of a successful partner, is the ability to identify, define and deliver non-linear service solutions. As the business scales over time, leveraging an integrated blend of technology, analytics and service design will aid in providing effective consultation that will not only help define roadmaps but also aligns with the fintech's growth plans. For example, as the relationship progresses, the ability to identify fraud or handle customer inquiries should continue to improve with the quantity of data collected. Expert partners need to deploy the same Schumpeterian principles as the fintechs; that is, they must constantly work on improving existing models. This can be achieved by leveraging and training machine learning models to reduce the detection of fraud false positives and improve the speed of issue identification and resolution from a customer, irrespective of the channel.

Transformation Success Story: Aiding a Fintech Startups' Scale-up Journey

WNS partnered with a startup digital bank to design, build and expand its entire operations to keep pace with its rapid accelerated growth. The fintech, a very lean organization, placed heavy reliance on its sponsor bank for transaction processing, documented procedures and exception handling.

How WNS Helped the Client with Transformation

WNS engaged with the client at a very early stage in the company's evolution to operationally manage the challenges of uncontrolled growth. In July 2020, WNS commenced the partnership with 20 FTEs to support sanctions screening, anti-money laundering (AML) compliance and back-office operations. Within 30 days of starting the WNS engagement, the fintech received a full charter bank license from the regulators, something that had been in the works for more than two years.

This change in charter status triggered the migration to an in-house core banking system and a transition away from reliance on the sponsor bank. During the initial stages, WNS helped the client create and institutionalize a structured documentation and robust quality control framework that was praised by the regulators. In parallel, the change in status triggered a surge in customer enrollment, which tasked the newly created bank beyond its means.

Benefits Realized

During this phase of hyper-growth, the company almost doubled in six months. WNS's support team scaled up rapidly from 20 to 200 FTEs in nine months to successfully support the client's expansion. WNS also expanded the scope of services to cover several operational areas, including:

- Application onboarding
- Customer service
- Fraud
- Disputes
- Payments
- KYC (know your customer)
- AML

In building out the service solution, WNS's aim was to deploy a scalable operating model that can fulfill the current demand as well as the anticipated future growth roadmap. This relationship has evolved to where WNS is now assisting the bank with designing a future-state operating model to engineer new processes with a "digital first" approach. This effort will help ensure the bank remains lean and agile while continuing to experience tremendous growth.

WNS understands that innovators need partners that are familiar with their growing challenges, are quick to respond with solutions to their growing needs, and can deliver non-linear solutions that will help them create customer success.

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About WNS

WNS (Holdings) Limited (NYSE: WNS), is a leading Business Process Management (BPM) company. We combine our deep industry knowledge with technology and analytics expertise to co-create innovative, digital-led transformational solutions with clients across 10 industries. We enable businesses in Travel, Insurance, Banking and Financial Services, Manufacturing, Retail and Consumer Packaged Goods, Shipping and Logistics, Healthcare, and Utilities to re-imagine their digital future and transform their outcomes with operational excellence.

We deliver an entire spectrum of BPM services in finance and accounting, procurement, customer interaction services and human resources leveraging collaborative models that are tailored to address the unique business challenges of each client. We co-create and execute the future vision of 375+ clients with the help of our 46,000+ employees. Our global footprint spans 16 countries with 57 delivery centers worldwide including in China, Costa Rica, India, the Philippines, Poland, Romania, South Africa, Spain, Sri Lanka, Turkey, United Kingdom and the United States.

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